

CITY OF BURRTON

BURRTON, KANSAS

Special Financial Statements

December 31, 2010

City of Burrton, Kansas

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

City Council
City of Burrton
Burrton, Kansas

We have audited the accompanying financial statements of the City of Burrton, Kansas, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2009 financial statements and, in our report dated July 6, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2010, the changes in financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2010, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Knudsen, Manwe & Company LLC

Certified Public Accountants

September 6, 2011

City of Burrton, Kansas

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2010

<u>Funds</u>	Unencumbered Cash Balance 12-31-09	Receipts	Expenditures	Unencumbered Cash Balance 12-31-10	Encumbrances	Cash Balance 12-31-10
General	\$ 17,966	369,591	372,835	14,722	3,625	18,347
Special Revenue						
Employee benefit	14,783	49,661	63,703	741	-	741
Library	397	12,436	12,603	230	-	230
Street maintenance	125,201	151,458	104,305	172,354	-	172,354
Special highway	6,605	24,641	19,828	11,418	20	11,438
Ambulance	64,964	11	64,975	-	-	-
Recreation	1,502	1,164	2,258	408	-	408
Equipment reserve	93,736	51,932	82,999	62,669	-	62,669
Capital improvement	53,724	18,705	-	72,429	-	72,429
Debt Service						
Bond and interest	14,192	185	-	14,377	-	14,377
Capital Project						
Sewer/lagoon	59	417,032	413,259	3,832	-	3,832
Hardwood CDBG Loan	-	485,760	485,750	10	-	10
Enterprise						
Gas	213,950	334,943	366,134	182,759	44,976	227,735
Water	36,497	130,968	105,655	61,810	2,470	64,280
Sewer	154,515	115,105	42,719	226,901	-	226,901
Solid waste	72,578	66,907	53,860	85,625	3,484	89,109
Total Primary Government	870,669	2,230,499	2,190,883	910,285	54,575	964,860
Component Unit - Burrton Public Library	6,982	20,526	22,291	5,217	-	5,217
Total Reporting Entity	\$ 877,651	2,251,025	2,213,174	915,502	54,575	970,077

SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 360,900	19,826	380,726	372,835	(7,891)
Special Revenue					
Employee benefit	60,000	8,555	68,555	63,703	(4,852)
Library	14,700	-	14,700	12,603	(2,097)
Street maintenance	275,000	-	275,000	104,305	(170,695)
Special highway	24,700	-	24,700	19,828	(4,872)
Ambulance	-	-	-	64,975	64,975
Recreation	2,000	-	2,000	2,258	258
Debt service					
Bond and interest	-	-	-	-	-
Enterprise					
Gas	654,000	-	654,000	366,134	(287,866)
Water	117,000	-	117,000	105,655	(11,345)
Sewer	88,000	-	88,000	42,719	(45,281)
Solid waste	76,000	-	76,000	53,860	(22,140)
	<u>\$ 1,672,300</u>	<u>28,381</u>	<u>1,700,681</u>	1,208,875	<u>(491,806)</u>
Add expenditures for unbudgeted funds					
Special Revenue				82,999	
Capital Project				899,009	
Total expenditures, Primary Government				<u>\$ 2,190,883</u>	

City of Burrton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009			Over
	Actual	Actual	Budget	(Under)
RECEIPTS				
Ad valorem property tax	\$ 73,025	115,294	130,947	(15,653)
Delinquent tax	2,178	2,595	1,600	995
Vehicle tax	17,330	16,073	15,800	273
County sales tax	88,946	85,606	84,000	1,606
Harvey County special sales and use tax	11,587	11,121	21,000	(9,879)
Local alcohol tax	1,394	1,065	1,000	65
LHA payment in lieu of tax	3,609	3,931	2,400	1,531
Franchise fees	30,796	36,991	28,000	8,991
Pool receipts	6,963	5,211	4,000	1,211
Fines and fees	42,133	48,463	35,000	13,463
Interest	1,377	1,529	1,500	29
Municipal court	-	2,389	-	2,389
Other	24,290	9,497	10,000	(503)
Reimbursements	-	19,826	-	19,826
Transfer from gas fund	37,000	10,000	10,000	-
	340,628	369,591	345,247	24,344
EXPENDITURES, page 6	374,917	372,835		
Receipts over (under) expenditures	(34,289)	(3,244)		
UNENCUMBERED CASH, beginning	52,255	17,966		
UNENCUMBERED CASH, ending	\$ 17,966	14,722		

City of Burrton, Kansas

General Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
General				
Personal services	\$ 78,007	100,923	90,000	10,923
Contractual services	40,091	41,556	50,000	(8,444)
Commodities	57,580	54,908	32,000	22,908
Capital outlay	-	-	10,000	(10,000)
	<u>175,678</u>	<u>197,387</u>	<u>182,000</u>	<u>15,387</u>
Parks				
Contractual services	13,344	7,562	7,500	62
Commodities	8,217	5,645	7,400	(1,755)
Capital outlay	-	-	500	(500)
	<u>21,561</u>	<u>13,207</u>	<u>15,400</u>	<u>(2,193)</u>
Law enforcement				
Personal services	75,210	70,242	75,000	(4,758)
Other	74,437	36,540	60,000	(23,460)
	<u>149,647</u>	<u>106,782</u>	<u>135,000</u>	<u>(28,218)</u>
Legal	15,458	22,192	-	22,192
Street lighting	3,709	19,586	19,000	586
Community activities	4,631	6,000	4,500	1,500
Residential incentives	-	2,000	-	2,000
Library	233	-	-	-
Harvey County EDC	4,000	5,681	5,000	681
	<u>28,031</u>	<u>55,459</u>	<u>28,500</u>	<u>26,959</u>
	374,917	372,835	360,900	11,935
Adjustment for qualifying budget credits	-	-	19,826	(19,826)
Total expenditures	<u>\$ 374,917</u>	<u>372,835</u>	<u>380,726</u>	<u>(7,891)</u>

City of Burrton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
EMPLOYEE BENEFIT FUND				
RECEIPTS				
Ad valorem property tax	\$ 19,756	33,435	37,972	(4,537)
Delinquent tax	1,436	1,229	1,500	(271)
Vehicle tax	9,809	4,537	4,257	280
Employee paid insurance	8,418	8,555	1,000	7,555
Other	-	1,905	-	1,905
	<u>39,419</u>	<u>49,661</u>	<u>44,729</u>	<u>4,932</u>
EXPENDITURES				
FICA and Medicare	19,271	19,117	25,000	(5,883)
KPERS	10,106	18,071	15,000	3,071
Health insurance	24,062	26,515	20,000	6,515
	<u>53,439</u>	<u>63,703</u>	<u>60,000</u>	<u>3,703</u>
Adjustment for qualifying budget credits	-	-	8,555	(8,555)
	<u>53,439</u>	<u>63,703</u>	<u>68,555</u>	<u>(4,852)</u>
Receipts over (under) expenditures	(14,020)	(14,042)		
UNENCUMBERED CASH, beginning	28,803	14,783		
UNENCUMBERED CASH, ending	<u>\$ 14,783</u>	<u>741</u>		
LIBRARY FUND				
RECEIPTS				
Ad valorem property tax	\$ 9,884	9,879	11,220	(1,341)
Delinquent tax	405	390	500	(110)
Vehicle tax	2,259	2,167	2,134	33
	<u>12,548</u>	<u>12,436</u>	<u>13,854</u>	<u>(1,418)</u>
EXPENDITURES				
Appropriations to Library Board	13,389	12,603	14,500	(1,897)
Other	39	-	200	(200)
	<u>13,428</u>	<u>12,603</u>	<u>14,700</u>	<u>(2,097)</u>
Receipts over (under) expenditures	(880)	(167)		
UNENCUMBERED CASH, beginning	1,277	397		
UNENCUMBERED CASH, ending	<u>\$ 397</u>	<u>230</u>		

City of Burrton, Kansas

Special Revenue Funds**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
<u>STREET MAINTENANCE FUND</u>				
RECEIPTS				
Ad valorem tax	\$ 93,698	23,896	27,140	(3,244)
Delinquent tax	2,736	2,831	3,500	(669)
Vehicle tax	9,663	19,978	20,266	(288)
Other	-	-	1,000	(1,000)
County sales tax	36,211	34,753	35,000	(247)
Transfer from gas fund	125,000	50,000	50,000	-
Transfer from water fund	15,000	20,000	20,000	-
	<u>282,308</u>	<u>151,458</u>	<u>156,906</u>	<u>(5,448)</u>
EXPENDITURES				
Personal services	8,109	8,007	11,000	(2,993)
Contractual services	200,172	95,281	240,000	(144,719)
Commodities	1,769	1,017	24,000	(22,983)
	<u>210,050</u>	<u>104,305</u>	<u>275,000</u>	<u>(170,695)</u>
Receipts over (under) expenditures	72,258	47,153		
UNENCUMBERED CASH, beginning	<u>52,943</u>	<u>125,201</u>		
UNENCUMBERED CASH, ending	<u>\$ 125,201</u>	<u>172,354</u>		
<u>SPECIAL HIGHWAY FUND</u>				
RECEIPTS				
State gasoline tax	\$ 22,529	24,241	24,000	241
Reimbursements and other	46	400	300	100
	<u>22,575</u>	<u>24,641</u>	<u>24,300</u>	<u>341</u>
EXPENDITURES				
Personal services	262	-	500	(500)
Contractual services	2,586	1,999	24,000	(22,001)
Commodities	24,161	17,829	200	17,629
	<u>27,009</u>	<u>19,828</u>	<u>24,700</u>	<u>(4,872)</u>
Receipts over (under) expenditures	(4,434)	4,813		
UNENCUMBERED CASH, beginning	<u>11,039</u>	<u>6,605</u>		
UNENCUMBERED CASH, ending	<u>\$ 6,605</u>	<u>11,418</u>		

City of Burrton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
<u>AMBULANCE FUND</u>				
RECEIPTS				
County appropriation	\$ 37,599	-	-	-
Ambulance fees	3,566	-	-	-
Interest	105	11	-	11
Gifts and other	4,714	-	-	-
	<u>45,984</u>	<u>11</u>	<u>-</u>	<u>11</u>
EXPENDITURES				
Personal services	901	-	-	-
Commodities	23,919	-	-	-
Contractual services	8,069	216	-	216
Transfer to Fire District #5	-	64,759	-	64,759
Capital outlay	7,852	-	-	-
	<u>40,741</u>	<u>64,975</u>	<u>-</u>	<u>64,975</u>
Receipts over (under) expenditures	5,243	(64,964)		
UNENCUMBERED CASH, beginning	<u>59,721</u>	<u>64,964</u>		
UNENCUMBERED CASH, ending	\$ 64,964	-		

City of Burrton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010.		Variance - Over (Under)
	2009 Actual	Actual	Budget	
<u>RECREATION FUND</u>				
RECEIPTS				
Alcohol tax	\$ 1,394	1,065	2,000	(935)
Other	-	60	-	60
Delinquent tax	107	39	-	39
Vehicle tax	39	-	-	-
	1,540	1,164	2,000	(836)
EXPENDITURES				
Commodities	38	2,258	2,000	258
Receipts over (under) expenditures	1,502	(1,094)		
UNENCUMBERED CASH, beginning	-	1,502		
UNENCUMBERED CASH, ending	\$ 1,502	408		
<u>EQUIPMENT RESERVE FUND</u>				
RECEIPTS				
Interest	\$ 166	115		
Reimbursements	3,701	-		
Sales tax	12,312	11,817		
Transfer from gas fund	45,000	40,000		
Transfer from water fund	10,000	-		
	71,179	51,932		
EXPENDITURES				
Capital outlay	26,504	82,999	NOT APPLICABLE	
Receipts over (under) expenditures	44,675	(31,067)		
UNENCUMBERED CASH, beginning	49,061	93,736		
UNENCUMBERED CASH, ending	\$ 93,736	62,669		

City of Burrton, Kansas

Special Revenue Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance - Over (Under)
	2009 Actual	Actual	Budget	
<u>CAPITAL IMPROVEMENT FUND</u>				
RECEIPTS				
County sales tax	\$ 12,311	11,816		
Other	-	1,889		
Transfer from gas fund	-	5,000		
Transfer from water fund	10,000	-		
	<u>22,311</u>	<u>18,705</u>		
EXPENDITURES				
Capital outlay	340	-	NOT APPLICABLE	
Receipts over (under) expenditures	21,971	18,705		
UNENCUMBERED CASH, beginning	31,753	53,724		
UNENCUMBERED CASH, ending	\$ 53,724	72,429		

City of Burrton, Kansas

Debt Service Fund

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
BOND AND INTEREST FUND				
RECEIPTS				
Delinquent tax	\$ 367	185	-	185
EXPENDITURES				
	-	-	-	-
Receipts over (under) expenditures	367	185		
UNENCUMBERED CASH, beginning	13,825	14,192		
UNENCUMBERED CASH, ending	\$ 14,192	14,377		

City of Burrton, Kansas

Capital Project Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET*

Year ended December 31, 2010

		Hardwood LLC	
	Sewer/Lagoon	CDBG Loan	Total
RECEIPTS			
CDBG advances	\$ 162,916	485,760	648,676
KDHE advances	199,176	-	199,176
SRF advances	51,471	-	51,471
State aid	3,469	-	3,469
	<u>417,032</u>	<u>485,760</u>	<u>902,792</u>
EXPENDITURES			
Contractual services	413,259	-	413,259
Distributions	-	485,750	485,750
	<u>413,259</u>	<u>485,750</u>	<u>899,009</u>
Receipts over (under) expenditures	3,773	10	3,783
UNENCUMBERED CASH, beginning	59	-	59
UNENCUMBERED CASH, ending	<u>\$ 3,832</u>	<u>10</u>	<u>3,842</u>

*Annual adopted budget is not applicable for capital projects.

City of Burrton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<u>GAS FUND</u>				
RECEIPTS				
Sales	\$ 327,310	316,109	650,000	(333,891)
Sales tax	20,782	18,834	28,000	(9,166)
	<u>348,092</u>	<u>334,943</u>	<u>678,000</u>	<u>(343,057)</u>
EXPENDITURES				
Personal services	19,041	29,248	11,000	18,248
Contractual services	45,332	12,389	28,000	(15,611)
Commodities	17,848	32,886	10,000	22,886
Sales tax	10,257	6,654	-	6,654
Gas purchased	161,714	179,957	500,000	(320,043)
Transfer to street maintenance fund	125,000	50,000	50,000	-
Transfer to general fund	37,000	10,000	10,000	-
Transfer to capital improvement fund	-	5,000	5,000	-
Transfer to equipment reserve fund	45,000	40,000	40,000	-
	<u>461,192</u>	<u>366,134</u>	<u>654,000</u>	<u>(287,866)</u>
Receipts over (under) expenditures	(113,100)	(31,191)		
UNENCUMBERED CASH, beginning	<u>327,050</u>	<u>213,950</u>		
UNENCUMBERED CASH, ending	<u>\$ 213,950</u>	<u>182,759</u>		

City of Burrton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

	2009 Actual	2010		Variance - Over (Under)
		Actual	Budget	
<u>WATER FUND</u>				
RECEIPTS				
Sales	\$ 115,628	130,968	135,000	(4,032)
Other	-	-	1,000	(1,000)
	<u>115,628</u>	<u>130,968</u>	<u>136,000</u>	<u>(5,032)</u>
EXPENDITURES				
Personal services	67,287	43,372	58,000	(14,628)
Contractual services	24,021	18,312	26,000	(7,688)
Commodities	29,363	23,971	8,000	15,971
Transfer to capital improvement fund	10,000	-	5,000	(5,000)
Transfer to equipment reserve fund	10,000	-	-	-
Transfer to street maintenance fund	15,000	20,000	20,000	-
	<u>155,671</u>	<u>105,655</u>	<u>117,000</u>	<u>(11,345)</u>
Receipts over (under) expenditures	(40,043)	25,313		
UNENCUMBERED CASH, beginning	<u>76,540</u>	<u>36,497</u>		
UNENCUMBERED CASH, ending	<u>\$ 36,497</u>	<u>61,810</u>		

City of Burrton, Kansas

Enterprise Funds

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2010

(With comparative actual amounts for the year ended December 31, 2009)

		2010		Variance -
	2009	Actual	Budget	Over
	Actual			(Under)
SEWER FUND				
RECEIPTS				
Fees	\$ 107,759	115,105	80,000	35,105
EXPENDITURES				
KDHE loan payment	-	16,130	-	16,130
Personal services	18,538	10,670	28,000	(17,330)
Contractual services	13,110	3,627	50,000	(46,373)
Commodities	3,272	12,292	10,000	2,292
	34,920	42,719	88,000	(45,281)
Receipts over (under) expenditures	72,839	72,386		
UNENCUMBERED CASH, beginning	81,676	154,515		
UNENCUMBERED CASH, ending	\$ 154,515	226,901		
SOLID WASTE FUND				
RECEIPTS				
Fees	\$ 65,406	66,907	70,000	(3,093)
EXPENDITURES				
Personal services	1,376	247	6,000	(5,753)
Contractual services	54,773	53,613	60,000	(6,387)
Commodities	-	-	10,000	(10,000)
	56,149	53,860	76,000	(22,140)
Receipts over (under) expenditures	9,257	13,047		
UNENCUMBERED CASH, beginning	63,321	72,578		
UNENCUMBERED CASH, ending	\$ 72,578	85,625		

City of Burrton, Kansas
Component Unit
STATEMENT OF CASH RECEIPTS AND EXPENDITURES
 Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>LIBRARY BOARD</u>		
RECEIPTS		
City of Burrton - Burrton Public Library	\$ 12,603	13,389
SCKLS	6,645	4,490
State of Kansas	503	551
Memorials	720	-
Donations and other	55	135
	<u>20,526</u>	<u>18,565</u>
EXPENDITURES		
Personal services	14,139	13,949
Consulting services	876	850
Books, periodicals and materials	2,430	2,538
Operating expenses and other	4,846	1,636
	<u>22,291</u>	<u>18,973</u>
Receipts over (under) expenditures	(1,765)	(408)
UNENCUMBERED CASH, beginning	6,982	7,390
UNENCUMBERED CASH, ending	<u>\$ 5,217</u>	<u>6,982</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Burrton is a municipal corporation governed by an elected five-member council. These financial statements present the City of Burrton (the primary government) and its component unit. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City. The governing body of this component unit is appointed by the City.

Burrton Public Library

The City of Burrton Library Board operates the City's public library. The City provides funding for the library through special revenue and general fund appropriations.

Related Organization

The Burrton Housing Authority is a related organization that is not included in the financial reporting entity. The Authority was created to administer public housing programs authorized by the United States Housing Act of 1937, as amended. Revenues consist of housing assistance payments from the U.S. Department of Housing and Urban Development and rent received from eligible low income tenants.

Basis of Accounting

These financial statements are presented on a statutory basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles (GAAP), encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with GAAP. Capital assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as capital leases and compensated absences are not presented in the financial statements.

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2010:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities other than those financed by Enterprise Funds.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2010 budget was not amended.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for Capital Project Funds and the following special revenue funds:

Equipment Reserve Fund
Capital Improvement Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

4. DEPOSITS AND INVESTMENTS (Continued)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2010, the City's investments included only bank savings accounts and certificates of deposit with a fair value of \$171,194, which are not subject to investment rating.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the carrying amount of the City's deposits, including component units, was \$964,860. The bank balance totaled \$1,096,207. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$253,842 was covered by FDIC insurance and \$842,365 was covered by the FDIC Transaction Guarantee Program (TAG).

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2010:

	Primary Government	Component Unit	Total
Amount on deposit with financial institutions			
Checking and money market accounts	\$ 946,860	5,217	952,077
Time Deposits	18,000	-	18,000
	<u>\$ 964,860</u>	<u>5,217</u>	<u>970,077</u>

5. COMPLIANCE WITH KANSAS STATUTES

The City was not in compliance with K.S.A. 79-2935 which limits fund expenditures to the appropriated budget in the Recreation Fund and the Ambulance Fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. CAPITAL IMPROVEMENT PROJECTS

During the year 2009, The City began a sewer/lagoon improvement project. It is to be completed in 2011. It is to be financed with a CDBG grant and a loan from Kansas Department of Health and Environment. During the year 2010, the City also entered into an economic development grant agreement that provides low cost financing between The State of Kansas Department of Commerce and Hardwood Cabinets, LLC. At December 31, 2010, capital project authorizations compared with expenditures from inception are as follows:

	<u>Project Authorization</u>	<u>Expenditures to date</u>
Sewer/Lagoon	\$ <u>899,260</u>	\$ <u>807,166</u>
Hardwood LLC CDBG Loan	\$ <u>485,760</u>	\$ <u>485,750</u>

7. LONG-TERM DEBT

During 2009, the City was approved for \$499,260 of revolving loan funds from the Kansas Department of Health and Environment for the sewer/lagoon project. The balance of funds borrowed at December 31, 2010 was \$445,668. Payments on the revolving loan began in 2010 and were made from the sewer fund.

Changes in the long-term liabilities for the City for the year ended December 31, 2010 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 12-31-09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12-31-10</u>	<u>Interest Paid</u>
Sewer Improvement - KDHE Loan	2.63%	02/11/10	\$ 445,688	09/01/30	\$ <u>195,021</u>	<u>250,647</u>	<u>11,446</u>	<u>434,222</u>	<u>4,684</u>

Scheduled payments for long-term debt and interest through maturity are as follows:

	<u>Year ending December 31</u>								
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>2026-2030</u>	<u>Total</u>
Principal									
KDHE Loan	\$ 19,510	20,026	20,556	21,101	21,659	117,206	133,563	80,601	434,222
Interest									
KDHE Loan	<u>12,752</u>	<u>12,236</u>	<u>11,706</u>	<u>11,161</u>	<u>10,603</u>	<u>44,100</u>	<u>27,743</u>	<u>7,037</u>	<u>137,338</u>
Total principal and interest	\$ <u>32,262</u>	<u>32,262</u>	<u>32,262</u>	<u>32,262</u>	<u>32,262</u>	<u>161,306</u>	<u>161,306</u>	<u>87,638</u>	<u>571,560</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Burrton contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4-6% percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute at December 31, 2010 is 6.14%. The City's employer contributions to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$15,734, \$12,150, and \$10,506 respectively, equal to the statutory required contributions for each year.

9. COMPENSATED ABSENCES

Full-time employees earn vacation based on the following schedule:

- After one year of employment - one week of vacation
- After two years of employment - two weeks of vacation
- After ten years of employment - three weeks of vacation
- After fifteen years of employment - four weeks of vacation

Unused vacation is paid to employees upon termination. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time employees earn approximately 12 days of paid sick leave in one year of service which can be accumulated to a maximum of 30 days. Unused sick leave is paid to employees upon termination at a ratio of one day per four days accrued sick leave. Unused sick leave has not been recorded as a liability in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

10. INTERFUND TRANSACTIONS

Operating transfers during the year ended December 31, 2010, were as follows:

<u>Transfer To</u>	<u>Transfer From</u>		<u>Total</u>
	<u>Water</u>	<u>Gas</u>	
General Fund	\$ -	10,000	10,000
Street Maintenance Fund	20,000	50,000	70,000
Equipment Reserve Fund	-	40,000	40,000
Capital Improvement Fund	-	5,000	5,000
	<u>\$ 20,000</u>	<u>105,000</u>	<u>125,000</u>

11. MANAGERMENTS' DATE OF REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through September 6, 2011, which is the date at which the financial statements were available to be issued.

SINGLE AUDIT SECTION

Knudsen Monroe & Company LLC

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Burrton
Burrton, Kansas

We have audited the financial statements of the City of Burton (City), as of and for the year ended December 31, 2010, and have issued our report thereon dated September 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditor's report on the financial statements disclosed that, as described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (2010-1). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies and pass-through state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Knudsen, Morwe & Company LLC

Certified Public Accountants

September 6, 2011

Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Council
City of Burrton
Burrton, Kansas

Compliance

We have audited the City of Burton's (City), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

The auditor's report on the financial statements disclosed that, as described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an

opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the City, federal awarding agencies and pass-through state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Knudsen, Monroe & Company LLC

Certified Public Accountants

September 6, 2011

City of Burrton, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2010

<u>Federal Granting Agency/ Grant Program Description</u>	<u>Federal Catalog Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u> Community Development Block Grants	14.228	\$ <u>648,676</u>
Total Federal Awards		\$ <u>648,676</u>

NOTE A - BASIS OF PRESENTATION

The above schedule of expenditures includes the federal grant activity of the City of Burrton, Kansas, and is presented on the statutory basis of accounting as described in note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements disclosed that, as described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.
2. No reportable conditions relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances on noncompliance material to the financial statements of the City were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City expressed an unqualified opinion.
6. Audit findings relative to the major federal award program for the City are reported in Part C of the schedule.
7. The programs tested as a major program included:
Department of Housing and Urban Development Community Development Block Grants – (14.228)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The City was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2010-1 Bank reconciliations

Condition: Bank reconciliations were not completed during the year:

Criteria: Internal controls should be in place to provide for timely bank reconciliations and to ensure that cash is reported correctly and that sound accounting practices are followed.

Cause: There are no internal controls in place for management review of completed monthly bank reconciliations.

Effect: The City is not aware of their actual cash position.

City of Burrton, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2010

Recommendation: The City should require bank reconciliations be prepared timely, by an individual separate from the check writing and deposit process, and obtain written approval of such review by management.

Views of Responsible Officials and Planned Corrective Actions: The City Council agrees with the finding and the recommended procedures have been implemented.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

City of Burrton, Kansas

SCHEDULE OF PRIOR AUDIT FINDINGS

None